

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

Meeting of the Board of Trustees

May 12, 2011

VSEERS Members present:

Kevin Gaffney, Chairperson, VSEA Representative (term expiring September 1, 2011)
Jeff Briggs, VSEA Representative (term expiring September 1, 2012)
Paul White, Jr., VSEA Representative (term expiring September 1, 2012)
Roger Dumas, Vice-Chairperson, VRSEA Representative (term expiring September 1, 2012)
Kate Duffy, Commissioner of Human Resources (ex-officio)
James Reardon, Commissioner of Finance & Management (ex-officio)
Elizabeth Pearce, VT State Treasurer

Members absent:

Richard Johannesen, Governor's Delegate (ex-officio)

Also attending:

Thomas Hango, VSEA Alternate (term expiring September 1, 2011)
Allen Blake, VRSEA Alternate (term expiring September 1, 2012)
Stephen Wisloski, Deputy VT State Treasurer
Matthew Considine, Director of Investments
David Driscoll, Buck Consultants – via telephone
Karl Kroner, Great West Retirement Services
Chip Sanville, Great West Retirement Services
Perry Christie, Great West Retirement Services – via telephone
Bill Griffin, Attorney General's Office
Laurie Lanphear, Deputy Director of Retirement Operations
Cynthia Webster, Director of Retirement Policy and Outreach & Secretary to the Board
Monica Chiren, Assistant to Cynthia Webster

The Chairperson, Kevin Gaffney, called the Thursday, May 12, 2011, meeting to order at 9:09 a.m., which was held in the Treasurer's Conference Room, Fourth Floor, 109 State Street, Montpelier, VT.

ITEM 1: **Approve the Minutes of:**

- **April 14, 2011**

On motion by Mr. Dumas, seconded by Mr. Briggs, the Board voted unanimously to approve the minutes of April 14, 2011, as submitted.

Mr. Wisloski introduced Mr. Considine to the Board members and provided them a brief background of his experience. The Board welcomed Mr. Considine.

ITEM 2: **State of Vermont 457 Deferred Compensation Plan**

- **Quarterly review for period ending March 31, 2011**
- **Discussion about adding a self-brokerage account and/or TIPS fund**
- **Update on status of GW's security/disaster recovery programs**
- **Update on Stable Value Fund**
- **Update on addition of Roth IRA**

Mr. Kroner appeared before the Board and provided the Quarterly Report for March 31, 2011 for the 457 Deferred Compensation Plan. Mr. Kroner provided the plan overview. There was a discussion and explanation about the de minimis accounts. There was a discussion about the increase in contribution rates starting July 1, 2011, and the possible impact it could have on contributions.

Mr. Kroner reviewed the stable value fund by gender and age breakdown. There was a discussion about the number of funds that are invested in by members and the kind of funds they are investing in. Mr. Kroner advised the Board the average account contributions are up from last year. Mr. Sanville indicated a new entity has been added, and that the Town of Calais was the next to be added. Mr. Kroner reviewed the amount of withdrawals during the quarter. There was a discussion what kind of withdrawals they were. The internet statistics were reviewed. Mr. Kroner reviewed the three tiers of managed accounts, and responded to the Board member's questions. Mr. Sanville reviewed the plan activity for the quarter. Mr. Sanville reviewed the hardship withdrawals for the quarter.

Mr. Kroner indicated there is now a plan in place in case there is an interruption in phone service again. Ms. Webster indicated if there were to be phone interruption again, she will forward that information to HR so they can also put a notice on their website.

Mr. Kroner reviewed the AAG fund performance. It was indicated the Board would like to know what the previous rating was, in addition to the current rating. Mr. Kroner indicated he can provide that information. Mr. Kroner indicated what is involved in the ratings.

(Ms. Chiren left the meeting at 9:50 a.m.)

Ms. Pearce advised the Board of the 457 Plan audit, and the fact that it appears there are very few issues that require remedy. Although the Plan will be issued the standard 180 day remediation letter, the corrections will be easy to handle within the next 30 days.

Self-directed brokerage accounts were discussed by Great West and information was distributed for Board review. The Board discussed the pros and cons, and perhaps increasing the minimum dollar amount to utilize the option if it were ultimately offered. It was the general Board consensus to move forward with adding the self-directed brokerage account after appropriate due diligence. Great West will also provide information from T.D., Meritain and Charles Schwab.

TIPS funds were also discussed to see if it might be prudent to add to the fund line-up. Mr. Wisloski will bring back more information from the NEPC conference.

(Ms. Chiren returned to the meeting at 10:35 a.m.)

Mr. Kroner provided the Board members with a memo from Great West indicating what internet security procedures are followed.

Mr. Wisloski advised the Board relative to the Stable Value Fund that things are proceeding as previously discussed.

Mr. Kroner indicated the Roth IRA is proceeding and that it is now just a matter of waiting for Payroll to be able to initiate the Roth before it begins. Ms. Webster indicated the target date is the beginning of the fiscal year. Ms. Webster indicated there will be more information concerning it in the July newsletter and information will be provided to HR for their weekly updates.

ITEM 3: Single Deposit Investment Account

- **Quarterly update for the period ending March 31, 2011**
- **Update on investment transition**

Mr. Sanville appeared before the Board and provided the Quarterly Report for March 31, 2011 for the SDIA Plan. Mr. Sanville reviewed the plan results and the administrative overview for the SDIA Plan. There was a discussion concerning the interest rate for the participants.

Mr. Wisloski reviewed with the Board the changes to the SDIA for the last year, indicating as of June 1, 2011 the entire SDIA will be with ICMA-RC. Mr. Wisloski indicated the transfer is proceeding smoothly. Ms. Pearce thanked Mr. Wisloski for his diligent work over the past year up to and including the transition to ICMA-RC. The Board added their thanks, also.

(Mr. Sanville, Mr. Kroner and Mr. Perry left the meeting at this time.)

(A recess was taken from 10:53 a.m. to 11:04 a.m.)

(Mr. Driscoll entered the meeting via a conference call at this time.)

ITEM 4: Discuss updated results of Select-and-Ultimate investment assumption

Concerning the updates to the experience study covering the period July 1, 2005 through June 30, 2010, Mr. Driscoll indicated the revisions made to this report are to incorporate 2011 capital market assumptions in the analysis of the rate of return assumption and to add further information about the model used in its analysis. Mr. Reardon shared his concerns about any changes to the experience study in conjunction with the budget. Ms. Pearce indicated these changes would impact 2013 and not 2012. Mr. Driscoll explained the 2012 ARC is from the 2010 evaluation, and that is not affected by the new assumptions.

(Mr. White left the meeting at this time.)

It was the consensus of the Board Mr. Griffin would follow-up with Ms. Webster and Ms. Webster would arrange a conference call meeting relative to this agenda item.

(A recess was taken from 12:25 p.m. to 12:50 p.m.)

(Ms. Pearce and Ms. Duffy were not present at this time.)

ITEM 7: Discuss/approve recommendation for new doctor on the Medical Review Board

Ms. Webster indicated the background check that was conducted for Dr. Kailbat. There was a discussion about a criminal history check. Ms. Webster indicated there was nothing pending with the Attorney General's Office. There was a discussion that a yearly review should be implemented as an ongoing procedure.

On motion by Mr. Reardon, seconded by Mr. Dumas, the Board voted unanimously to accept the recommendation of Dr. Davignon to have Dr. Frank Kailbat be appointed as the replacement psychiatrist on the Medical Review Board.

Ms. Webster indicated Dr. Kailbat was approved by the Teachers' Board on Tuesday, and that this item will also be discussed by the Municipal Board on Tuesday, May 31st. The Board shared their appreciation to Dr. Davignon for his assistance in obtaining this replacement doctor.

ITEM 8: Updates on the following:

2011 legislation

VPAS

Personnel update with the Treasurer's Office

Ms. Webster indicated it was a quiet legislative session with only a few things affecting the State System. The items affecting the State system were the increase in the contribution rates 1.3% for all Defined Benefit groups, the creation of a committee prior to July 1, 2016 to explore the rate structure, and the adoption of the CPI-NE taking effect for the 2012 COLA. Ms. Pearce briefly discussed a miscellaneous tax bill.

(Ms. Duffy returned to the meeting at this time.)

Ms. Pearce indicated they are still moving forward with the VPAS project. Ms. Pearce indicated there will be a black-out period in July and the summer relative to the testing since there will be limited time available. Ms. Pearce indicated they are concentrating on wrapping up the employer reporting phase of the project. There was a discussion about estimates being available on the web in the future.

Ms. Pearce provided the Board with an update on changes to the Treasurer's Staff, including the addition of Matt Considine as the Director of Investments, and Donna Holden taking a new position with the DOT. Ms. Pearce indicated they are still looking into how to handle some of the remaining vacant positions.

ITEM 9: Any other business to come before the Board

None.

ITEM 10: Adjournment

On motion by Mr. Dumas, seconded by Mr. Reardon the Board unanimously voted to adjourn at 1:20 p.m.

Next Meeting Date:

The next scheduled VSERS meeting is a conference call meeting on June 9, 2011 at 9:00 a.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board